



DPA

UNITED KINGDOM
Cdre Barry Brookes RN
& Brian Tanner
UK Resource Issues & Management

3/12/01

Agenda

- ◆ Who [we are] I am.
- ◆ UK Organisation.
- ◆ Approvals process post Strategic Defence Review.
- ◆ Cost of Ownership/ Whole Life Costs/ & Through Life Management Plans.
- ◆ Impact on Resources.
- ◆ Methods.
- ◆ Data.

Who We Are



- ◆ **Brian Tanner of
Defence Procurement Agency**
- ◆ **Head of Cost Forecasting
Group of Specialist
Procurement Services.**
- ◆ **10+ Years in Ship Costing**
 - ⇒ **6 years Pricing**
 - ⇒ **5 years life cycle costing**

UK Organisation

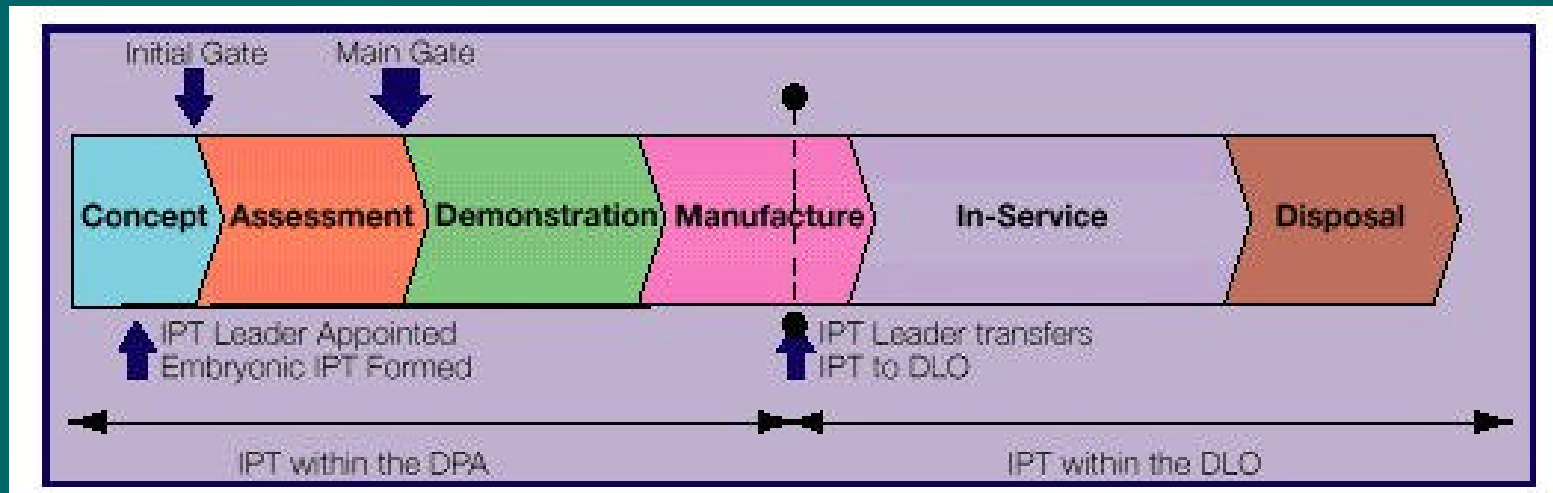
☞ **Defence Procurement Agency[DPA], comprising:-**

- ❑ Integrated Project Teams for new equipment
- ❑ Support Groups including SPS

☞ **Defence Logistics Organisation, which includes:-**

- ❑ IPTs for In service equipments
- ❑ Support Groups

Approvals Process



CADMID - Post SDR of '97. Continued need for Investment Appraisals BUT increased emphasis on full costs of capability

Whole Life Costs & Cost of Ownership

- ◆ **DLO is Whole Life Cost Champion.
Introducing 'Cost of Ownership', Whole
Life Costs, and Through Life Management
Plans.**
- ◆ **Similar concept to US 'Total Ownership
Costs'.**

One Observer's View

- ◆ **“Whole Life Costs are rather like unicorns. Everyone knows they exist and can describe them with reasonable accuracy, but they are shy beasts and are rarely seen in public. Perhaps SDR's need for a WLC approach will embolden the costs to appear more frequently outside the enchanted forest.”**

**David Kirkpatrick
UCL London**

Why bother?

How unaffordable is the EP?

What's the long term impact for the Frontline of this upgrade?

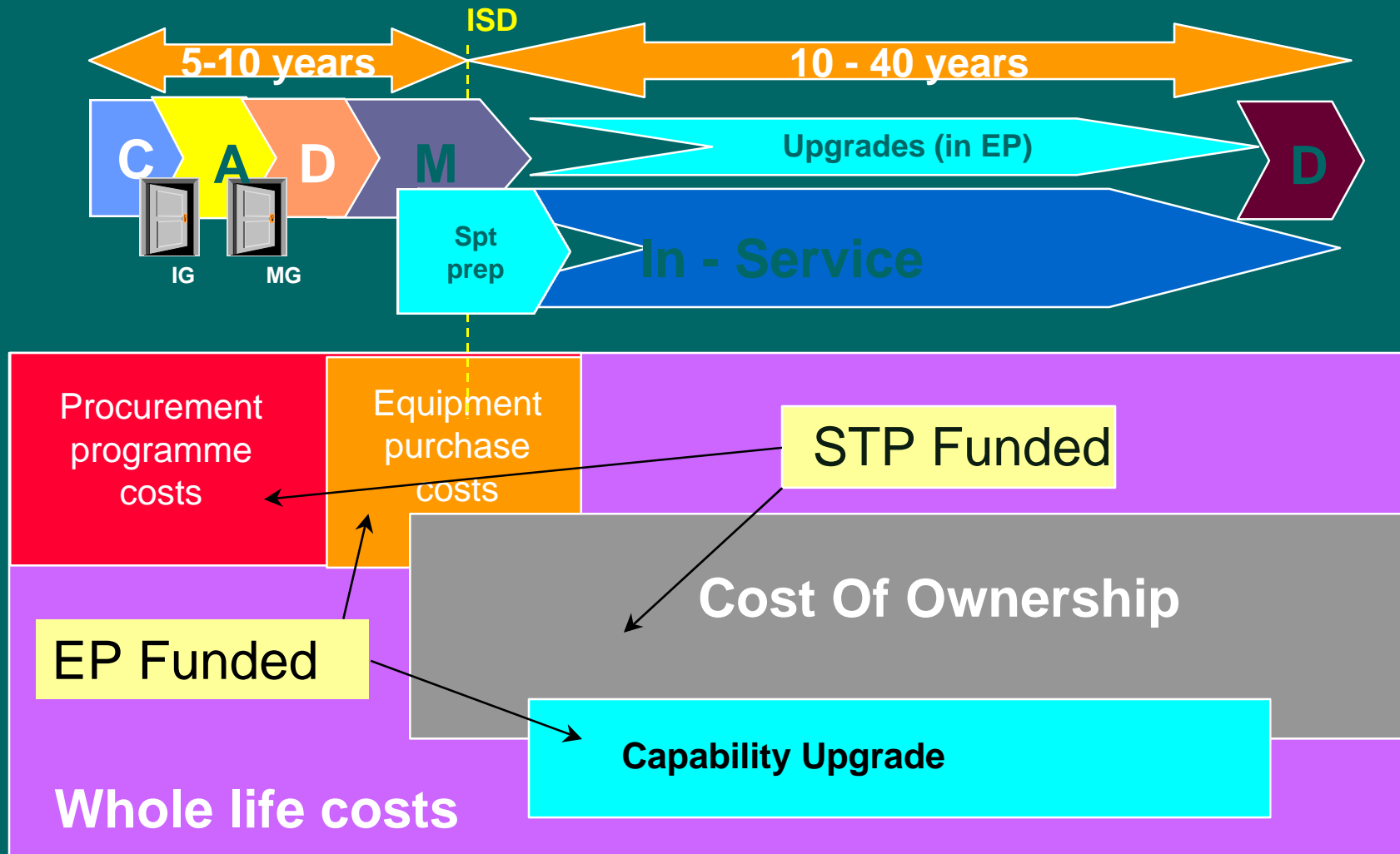
How did the actual costs compare with the IA forecast?

Is the DLO delivering efficiencies in COO?

How do the costs in this Main Gate submission compare with the current platform's COO?

How does this new capability fit into STP funding?

How CADMID relates to WLC **DPA**



Impact

- ◆ **More early work to support Balance Of Investment & Force Development Studies. The emphasis on full costs rather than differences evident in IAs.**
- ◆ **More later work after Approvals to maintain and update TLMPs.**
- ◆ **Resources?? SPS is currently a Free Service.**

Early Work

- ◆ **High Level Studies/Balance Of Investment.**
Thoughts of capability. Need to generate WLC from capability. Need some physical definition, short timescales, ROM based on high level parameters.
- ◆ **How? Working on it.**

Later Work

- ◆ **CoO = In Service Costs - Direct Costs + Direct Overheads.**
- ◆ **WLC = All Costs including higher organisations.**
- ◆ **TLMP = Full Cost - estimates initially - replaced by sunk costs as project progresses.**

Tools & Models

- ◆ OSCAM
- ◆ PRICE H & S
- ◆ + Others
- ◆ Few as possible. Requirements for Verified Tools and Validated Models.
- ◆ But every CER is a model.

Data

- ◆ **No central system. Various initiatives affected by reorganisation.**

Naval Data Map

- ◆ An example of the problem confronting any collection of in service costs - the large number of disparate data sources that need to be consulted.
- ◆ Initiatives are underway to improve the management and quality of the data.



What is Important

- ◆ Data not important. Relationships with data generator/ owner are more important.
- ◆ Exception: Data that is infrequently generated and need to be retained for many years. E.g. Frigate design costs - if only as basis - flexed by assumptions on developments since last design.

Challenges

For sound cost forecasts,

Four Elements:

- 1. Verified tools;**
- 2. Validated models;**
- 3. Trained experienced staff;**
- 4. Good quality data.**

Numbers Are Not Always Easy To Add

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Numbers Are Not Always Easy To Add

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Numbers Are Not Always Easy To Add

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Numbers Are Not Always Easy To Add

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Numbers Are Not Always Easy To Add

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QUESTIONS?

